Anheuser-Busch, Incorporated

1975 Annual Report

The 100th Anniversary of Budweiser 1876-1976

Contents

Form 10-K

A copy of the company's annual report to the Securities and Exchange Commission (Form 10-K) is available to shareholders without charge upon written request to John L. Hayward, Vice-President and Secretary, Anheuser-Busch, Inc., 721 Pestalozzi Street, St. Louis, Missouri 63118.

Annual Meeting

The Annual Meeting of shareholders of the company will be held on Wednesday, April 28, 1976. A notice of that meeting and proxies on behalf of the management will be sent to the shareholders on or about March 18, 1976.

Cover and left: Vintage tray from Anheuser-Busch archives symbolizes the 100th anniversary of the introduction of Budweiser, the most popular beer in the world, "The King of Beers."

1975 Report to the Shareholders of Anheuser-Busch, Incorporated

The Year at a Glance

Year Ended December 31	**1975**	1974
Barrels of beer sold	**35,196,180**	34,096,893
Sales	**$2,036,687,000**	$1,791,863,000
Beer excise taxes	**391,708,000**	378,772,000
Net sales	**1,644,979,000**	1,413,091,000
Net income	**84,723,000**	64,019,000
Per share	**1.88**	1.42
Cash dividends	**28,843,000**	27,041,000
Per share	**.64**	.60
All taxes	**505,054,000**	463,518,000
Capital expenditures	**155,436,000**	126,463,000
Depreciation	**51,089,000**	45,042,000

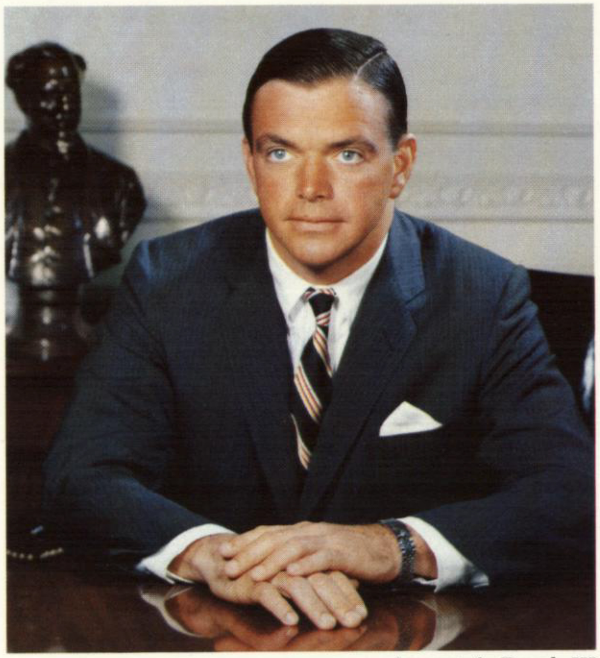
Financial Condition at December 31

Working capital	**$ 258,403,000**	$ 139,256,000
Plant and equipment, net	**724,914,000**	622,876,000
Long-term debt	**342,167,000**	193,240,000
Shareholders equity	**593,642,000**	537,762,000
Per share	**13.17**	11.93
Number of employees	**13,301**	12,205
Number of shareholders	**29,766**	30,193

Sales and Earnings by Quarter

	Net Sales		**Earnings**		**Earnings Per Share**	
	1975	1974	**1975**	1974	**1975**	1974
	(In Thousands)		(In Thousands)			
First	**$ 367,711**	$ 299,837	**$15,947**	$12,571	**$ .35**	$ .28
Second	**422,484**	348,213	**21,658**	15,684	**.48**	.35
Third	**455,125**	402,119	**26,029**	20,004	**.58**	.44
Fourth	**399,659**	362,922	**21,089**	15,760	**.47**	.35
Total Year	**$1,644,979**	$1,413,091	**$84,723**	$64,019	**$1.88**	$1.42

To Our Shareholders



August A. Busch III

February 9, 1976

It is appropriate to begin this annual report with a tribute to August A. Busch, Jr. who during 1975 stepped aside as Chief Executive Officer after devoting more than 50 years to the service of your company. Under his guidance Anheuser-Busch became firmly established as the world's largest brewer, and we are grateful for his untiring efforts and dedicated leadership. Mr. Busch, Jr. continues as Chairman of the Anheuser-Busch Board of Directors, Chairman of the Board of Manufacturers Railway Company and St. Louis Refrigerator Car Company, and Chairman of the Board and President of the St. Louis National Baseball Club, Inc. He also remains actively involved in numerous civic activities and recently has received many well-deserved awards for his accomplishments during his long and successful career.

We are pleased to report that your company achieved record sales and earnings in 1975. For the first time Anheuser-Busch gross sales exceeded two billion dollars, a 14% increase over 1974. Gross sales for 1975 included $392 million of beer excise taxes collected by the company and paid to federal and state authorities. Net income for the year was $84.7 million or $1.88 per share, a gain of 32% over 1974.

These results reflect the accomplishment of our objective of returning to the earnings growth trend established prior to 1973. Anheuser-Busch's earnings have now increased for six consecutive quarters over the corresponding quarters in previous years. Our Industrial Products Division, Busch Gardens Division, and beer can manufacturing operations — as well as our Beer Division — made significant contributions to corporate net income growth in 1975.

Anheuser-Busch beer sales volume increased by 3.2% over 1974 to 35.2 million barrels. Although the rates of growth for our sales as well as beer industry sales were less than in previous years, it is important to note that despite the recession and high unemployment in 1974-1975, beer industry sales and Anheuser-Busch sales volume did increase in both years. The beer industry has proved to be a stable, recession-resistant business during this and previous recessionary periods.

We increased our market share of the beer industry from 23.1% in 1974 to approximately 23.4% in 1975. Beer division results were highlighted by the outstanding sales growth of our Michelob brand.

Of particular importance in 1975 was the strong earnings performance by our "non-beer" divisions. Their percentage contribution to total corporate earnings was the highest since prohibition. The successes in our diversified business areas strengthen our base for long-term earnings growth.

The Industrial Products Division achieved record sales and earnings in 1975. Our new Bakersfield, California yeast plant operated at near capacity during 1975, and our share of total yeast industry sales increased to almost 40%. Improved margins for the division's corn products operations also contributed significantly to the division's profit growth.

Busch Gardens Division's performance was highlighted by the opening of "The Old Country" at Williamsburg, Virginia. This newest Busch Gardens far surpassed our projections for attendance and profit. Attendance increases at the Busch Gardens at Tampa, Florida and Los Angeles, California also contributed to the division's record earnings. Additional information on our operating divisions and subsidiaries is given in the "Year in Review" section of this report.

During 1975, prices were increased for most of our product lines, and our profit margin has recovered somewhat from the severely depressed level in 1974. Nevertheless, Anheuser-Busch's profit margin is still substantially below the average for American industry and our profit margin levels in the 1970-1972 period, as price increases have not been sufficient to offset the significant cost increases incurred in the 1973-1975 period.

It is our objective to provide the consumer with

quality products at reasonable prices. In working to accomplish this objective, considerable strategic planning effort is being focused on reducing cost pressures — in areas that do not affect product quality—in order to keep price increases at a minimum.

Continuing major emphasis on materials acquisition strategies has helped to minimize our vulnerability to supply scarcity and to fluctuations in the costs of the basic materials used in our products. Multi-year management services contracts have been negotiated with most of our can suppliers, and we have continued to work with major bottle suppliers to develop a new, lighter weight and less costly container. A new contracting program with rice farmers and an abundant harvest of rice combined to reduce our cost of rice in 1975. In addition, during 1975 the company established a hedging operation for corn used in our corn refining business, and we now have a representative at the Minneapolis Grain Exchange to provide better control over the cost and quality of barley.

We are pleased that Congress has recently passed new rice legislation which opens production of rice to all interested growers. The new rice program places the decision to grow rice in the hands of the farmers, which will benefit the farm community, consumers and industrial users, such as Anheuser-Busch.

Vertical integration strategies are another important part of our plans to reduce cost pressures. Our Metal Container Corporation plant at Jacksonville, Florida, which began operations in late 1974, has exceeded our production expectations, reaching high levels of efficiency using the drawn-and-ironed can manufacturing method. This facility supplies more than 50% of the Jacksonville brewery's can requirements. Based on this success, our Board of Directors has authorized construction of another new can manufacturing facility near our Columbus, Ohio brewery. The Board has also authorized funds for site acquisition and preliminary engineering for the construction of a new malt plant in Moorhead, Minnesota. This new malt plant combined with our Manitowoc malt plant will be able to supply almost one-third of our malt requirements.

Our Fairfield, California brewery, 40 miles northeast of San Francisco, is scheduled to open in late 1976. It will save the company millions of dollars annually in freight costs. After the Fairfield brewery is in operation, our company will have ten strategically located breweries, giving us a distinct distribution system advantage over other national brewers.

In 1975, there were no production interruptions caused by fuel shortages. Most Anheuser-Busch plants are equipped to burn either natural gas or fuel oil, and we believe there will be adequate fuel supplies in 1976.

Labor agreements with unions representing the majority of our hourly employees expire on February 29, 1976. Bargaining began in the fall of 1975. Although a new three-year contract was reached with certain local unions in St. Louis and Newark, negotiations with other bargaining units are in progress as this annual report goes to press. At the appropriate time I will send you a separate letter to inform you of the outcome of these negotiations.

We enter 1976 with cautious optimism. With the trend for real gross national product now pointing up and the inflation rate decreasing somewhat, the outlook for beer industry sales growth is favorable. The good harvests in the fall of 1975 for rice and barley should help our beer raw materials costs this year.

More than $1 billion of capital expenditures are planned for the next five years — for capacity expansion and modernization, increased vertical integration, and increased diversification. We are in sound financial condition, with a strong cash position and substantial cash flow from operations. Internally generated funds should provide the vast majority of the cash needed for our capital expenditure program.

We were saddened by the death last June of Ethan A. H. Shepley, who served on the Anheuser-Busch Board of Directors since May 1931. Mr. Shepley's years of service to the company were part of a distinguished career in which he made important contributions to the business, civic, and educational vitality of St. Louis and the entire nation.

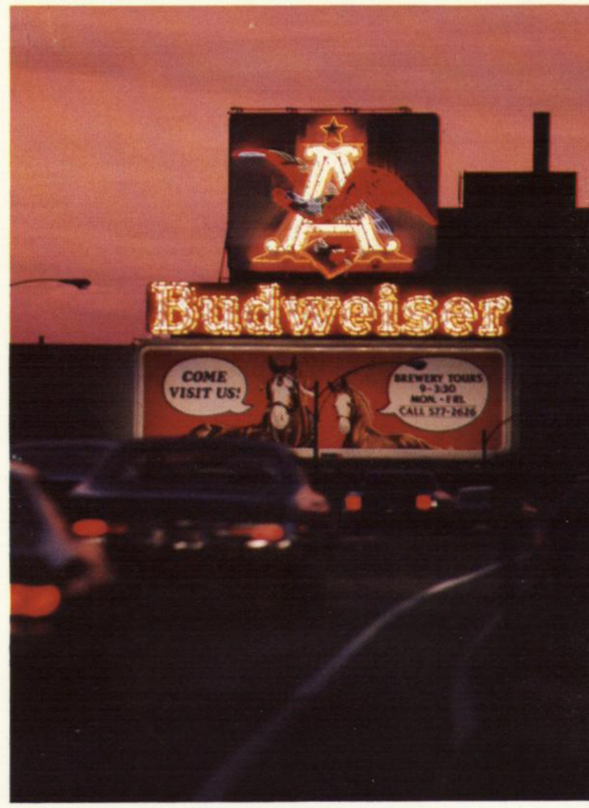
In October, Margaret M. Snyder was elected to the Board of Directors. Mrs. Snyder has been employed by Anheuser-Busch since 1942, and currently is Vice President-Corporate Promotions.

The 100th anniversary of Budweiser is being celebrated in 1976. The story of this largest selling of all beers is told in a commemorative brochure in the back of this report.

On behalf of our directors, employees and wholesalers, we pledge our continued efforts to further the growth of your company in 1976 and the years to come.

August A. Busch III

August A. Busch III
President and Chief Executive Officer



Upper left: Company's 10th brewery, now under construction at Fairfield, California, will give Anheuser-Busch more than seven million barrels of production capacity in California.

Upper right: A constant reminder of Anheuser-Busch and Budweiser supremacy.

Above: Commodities buyers purchase only the finest ingredients for Anheuser-Busch beers.

Right: Anheuser-Busch recorded significant sales increases in the important California market in 1975 while leading competitors lost ground.

Year in Review: Beer Division

Beer sales in 1975 totaled 35,196,000 barrels, an increase of 1,099,000 barrels or 3.2% over the 34,097,000 barrels sold in 1974. In 1975 our sales set an all-time brewing industry record, marking the nineteenth consecutive year in which the company has led all competitors.

The following comparative summary shows quarterly beer volume sales for 1975 and 1974:

	Barrels Sold (In Thousands)			
Quarter	**1975**	1974	Increase	
First	**8,012**	7,868	144	1.8%
Second	**9,020**	8,739	281	3.2
Third	**9,553**	9,341	212	2.3
Fourth	**8,611**	8,149	462	5.7
	35,196	34,097	1,099	3.2%

The company's share of brewing industry sales volume was approximately 23.4% in 1975, up from approximately 23.1% at the end of 1974. The lead over our nearest competitor also grew from 11,436,000 barrels in 1974 to approximately 12,000,000 barrels in 1975. As the industry leader, Anheuser-Busch sold 50% more beer in 1975 than its nearest competitor.

Gross sales for the Beer Division in 1975 were a record high of $1,878,719,000, an increase of 12% over gross sales of $1,671,465,000 last year.

Gross sales include beer excise taxes collected by the company and paid to federal and state authorities. These taxes amounted to $391,708,000 in 1975 and $378,772,000 in 1974.

Net sales of the Beer Division were $1,487,011,000, compared with $1,292,693,000 in 1974, and represented approximately 90% of the company's 1975 consolidated net sales. Net sales revenue per barrel reached $42.25 in 1975, an increase of 11.4% over 1974. The higher revenue per barrel is principally related to beer price increases in late 1974 and early 1975. These price increases partially offset significantly higher costs for brewing and packaging materials experienced by the company in the 1973-1975 period.

Substantially higher-than-normal price increases in the brewing industry and depressed economic conditions combined to reduce industry sales volume growth to about 1.8% in 1975. Anheuser-Busch sales volume growth in 1975 reached 3.2%, or almost double the industry growth. With an improved economic outlook for 1976, the brewing industry expects a return to a more normal growth level approximating 3% to 4%.

Brewery Expansion

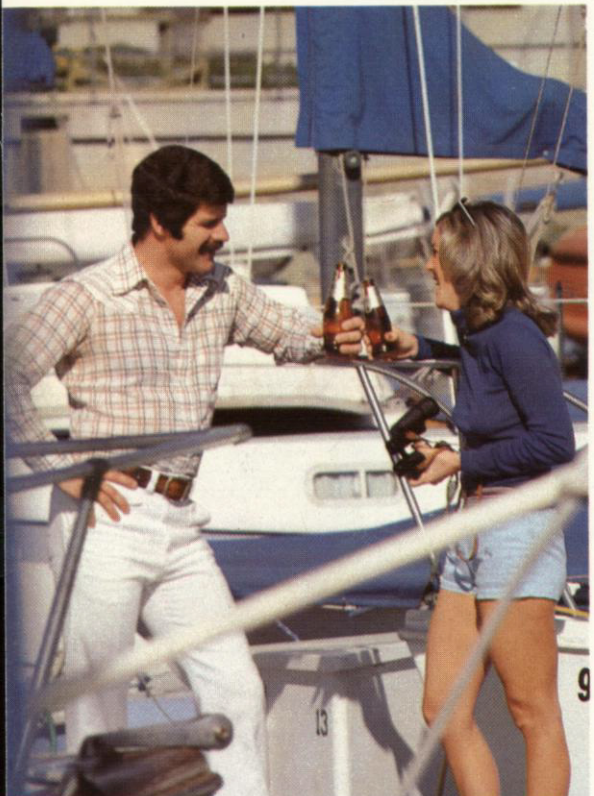
To keep pace with growing consumer demand for Anheuser-Busch beers, the company is continuing its expansion and modernization program at a number of its breweries. In addition to providing increased capacity, these expansions will result in more efficient production operations.

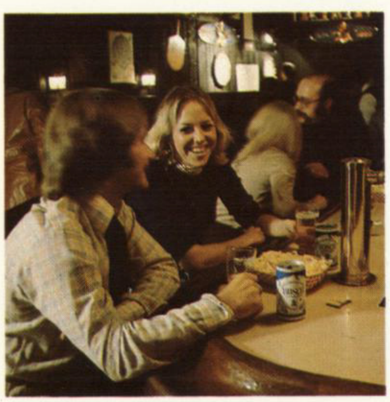
Construction of the company's tenth brewery at Fairfield in northern California is on schedule and should be completed in late 1976. This strategically located 3.75-million-barrel plant will enable the company to significantly reduce freight costs and will provide an improved distribution system for the entire beer division.

As a result of these capacity expansions, total annual shipping capacity will be approximately 39.0 million barrels in 1976 and approximately 43.0 million barrels in 1977.

In California, the nation's number one beer consuming state, the company recorded significant sales gains in 1975. These sales gains occurred while the leading brand and our main competitor in the California market experienced a loss in market share.

The Anheuser-Busch position of leadership within the brewing industry results from the established quality of its beer products and the effective execution of well-developed marketing policies and strategies that traditionally have been ahead of competition.





Upper left: Super premium Michelob brand continued to grow in 1975. Here, woman holds Mich VII, successful 7-ounce Michelob bottle, which will be available nationally in 1976.

Upper right: The King of Beers for 100 years . . . that says it all.

Above: Busch Beer – the popular-priced brand available in 23 states.

Right: Champion Clydesdales power Anheuser-Busch float in Macy's Thanksgiving Day parade, one of several nationally televised appearances.

Innovations

In keeping with that tradition, in 1976 the beer division will launch three important packaging innovations and product line extensions, each designed to capture key segments of the market and increase Anheuser-Busch's potential for expanded leadership in the brewing industry.

- "Classic Dark," a new draught beer, will be introduced on a national basis this spring. "Classic Dark" fills a product void and should generate complementary sales of other Anheuser-Busch beers. The new dark beer will be of "super premium" quality and will be positioned accordingly.
- The very popular Mich VII, Michelob in a 7-ounce nonreturnable bottle, will be available nationwide by mid-year. This highly successful package was introduced in the Midwest and selected southern markets in 1975 and significantly enhanced total Michelob sales.
- Budweiser will become available for the first time in a 7-ounce nonreturnable bottle. Initially it will be introduced in the South and Southeast portions of the country and may be expanded into other areas at a later time.

Marketing Strategy

The company's basic beer marketing programs always have been based upon a strong dedication to both quality and growth. At the same time the program, for each brand, is designed to enhance the distinct "personalities" established for each of our three products.

Budweiser, the number one selling beer in the world, continues to reign as the King of Beers in this, its 100th year. Budweiser advertising for 1976 is aimed at expanding that position in the unique Budweiser style.

The popular Eight-Horse Clydesdale Team appears in a series of completely new television commercials, and a number of Budweiser spots from the past will be presented in a format emphasizing the company's long-term dedication to quality. The final element is a series of "Beer Talk" commercials; information spots which respond to commonly asked questions regarding the serving and enjoyment of beer.

Super premium Michelob had outstanding sales growth in 1975, building on momentum established in 1974. The brand is being supported by a new marketing program that links the "unexpected pleasure of Michelob" with occasions that are especially appropriate to the brand and highlighted by the theme, "Weekends Were Made For Michelob."

Busch, the popular priced brand available in 23 states, continues to be positioned in advertising as a "natural beer" in 1976, but with a totally new concept. The new Busch music and theme focuses on people doing things they really believe in and because they do, they naturally do them better . . . and because at Anheuser-Busch we believe in what we are doing, we just naturally brew Busch better.

Wholesaler Strength

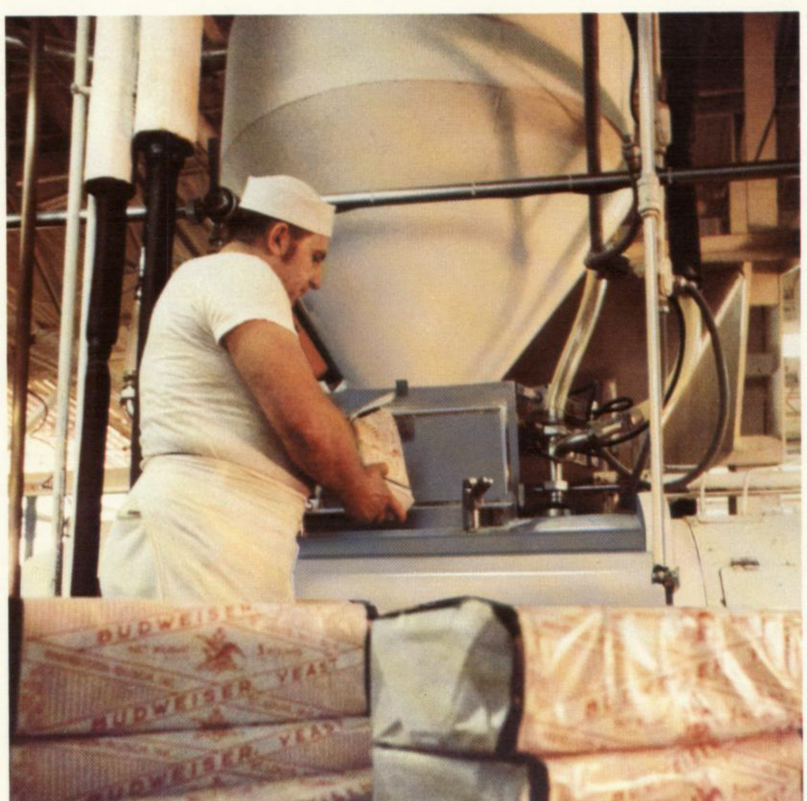
Besides superior quality products and effective marketing, the ongoing industry leadership of Anheuser-Busch is also due to the company's strong wholesaler family. Each of the company's 950 wholesalerships is an independent business operation; together they comprise one of the strongest, most effective distribution systems for any consumer product.

The company is continuing its program of providing outstanding business seminars for the wholesalers and their key employees, as well as the employees of the Beer Marketing Division, all designed to contribute to the professional marketing skills of the participants. As a part of this program, Anheuser-Busch introduced an innovative five-year planning system in 1975 which will enable wholesalers to more effectively utilize modern procedures in the development of their business.

Top: Cardinal gum, one of the many quality products the company makes from corn, is a staple of the corrugated paper board industry.

Above: Anheuser-Busch produces quality corn products for industrial applications at this highly modern, productive plant at Lafayette, Indiana.

Right: Anheuser-Busch is the leading producer of bakers yeast in the country.



Industrial Products

The Industrial Products Division's performance improved dramatically in 1975, achieving record sales and earnings. Earnings increased approximately 70% over the 1974 record performance.

The division is a major supplier to the baking industry, which uses its bakers yeast, corn syrups and food starches. The division's corn syrups and starches are also used in numerous food applications, including the processing of canned and frozen foods and the manufacture of ice cream and candy. The division markets starch and resin products used in the manufacture of paper, corrugated containers, and textiles.

Bakers Yeast

The company became the nation's leading producer of bakers yeast in 1974, and improved that position in 1975 ending the year with almost 40% of total industry sales.

The new Bakersfield, California yeast plant, which opened in late 1974, was a key factor in this growth. This new plant, the most modern, efficient yeast production facility in the industry, has enabled the division to penetrate new markets west of the Rocky Mountains.

To position the division for further growth in bakers yeast markets east of the Rockies, the company will expand the Old Bridge, New Jersey yeast plant from a capacity of 70 million pounds per year to 100 million pounds. When the expansion is completed in 1978, Old Bridge will be the largest bakers yeast plant in the U.S.

Corn Products

Improved margins for the division's corn products, particularly corn syrup, contributed significantly to the division's growth in 1975.

Engineering and planning are in the final stages for conversion of the company's Lafayette, Indiana corn wet milling plant to the production of high levulose syrup. High levulose syrup is used as an economical substitute for sugar in many baking, canned and frozen foods, and soft drink products.

To produce high levulose syrup, Anheuser-Busch has developed a patented enzyme with superior activity characteristics. This enzyme acts as the agent which converts conventional corn syrup to the high levulose variety which has greater sweetening quality.

Upper left: "Oktoberfest" now under construction will make Williamsburg Busch Gardens even more exciting in 1976.

Upper right: Old European atmosphere makes "The Old Country" one of the most popular theme parks in the U.S.

Above: Excitement at "The Dark Continent," Busch Gardens–Tampa, will increase dramatically with the completion of "Python," a "G-force" ride.

Right: Los Angeles Gardens is the scene of annual "Great Budweiser Canoe Race," a 72-hour marathon matching major colleges.

Busch Gardens, the company's family entertainment division, significantly increased its contribution to corporate profitability in 1975. This is attributed primarily to sharply increased attendance at the three Gardens' locations, which totaled 5.2 million for the year.

The immediate success of the newest Busch Gardens, "The Old Country," at Williamsburg, Virginia was the single most outstanding factor in the division's 1975 performance. This incomparably beautiful European-themed family entertainment center attracted nearly 1.6 million visitors, some 200,000 more than originally projected.

"The Dark Continent," Busch Gardens' African-themed park in Tampa, also had an outstanding year. The park, solidly Florida's second most popular visitor attraction, had attendance increases well above those of other parks in the state and finished the year with a record 2.4 million visitors, a 23% increase over 1974. A new Moroccan-themed main entry-shopping bazaar complex, "Marrakesh," opened in April 1975.

Busch Gardens—Los Angeles also fared considerably better in 1975 than in 1974, with total attendance of 1.2 million, an increase of 10%. The park, with a "Good Old Days" turn-of-the-century profile, opened the "Old St. Louis" section in May.

Busch Gardens Expansion

As a result of Busch Gardens' growth and profitability, the company is investing nearly $20 million in additions and improvements to the Williamsburg and Tampa parks.

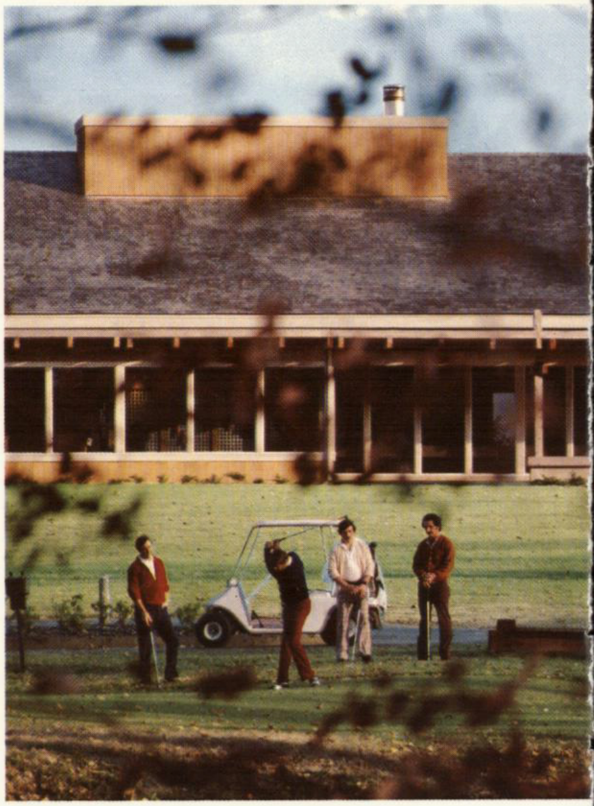
Williamsburg is building "Oktoberfest," an action-packed enlargement of its most popular German section, with eight rides and an enormous festival hall patterned after those in Munich.

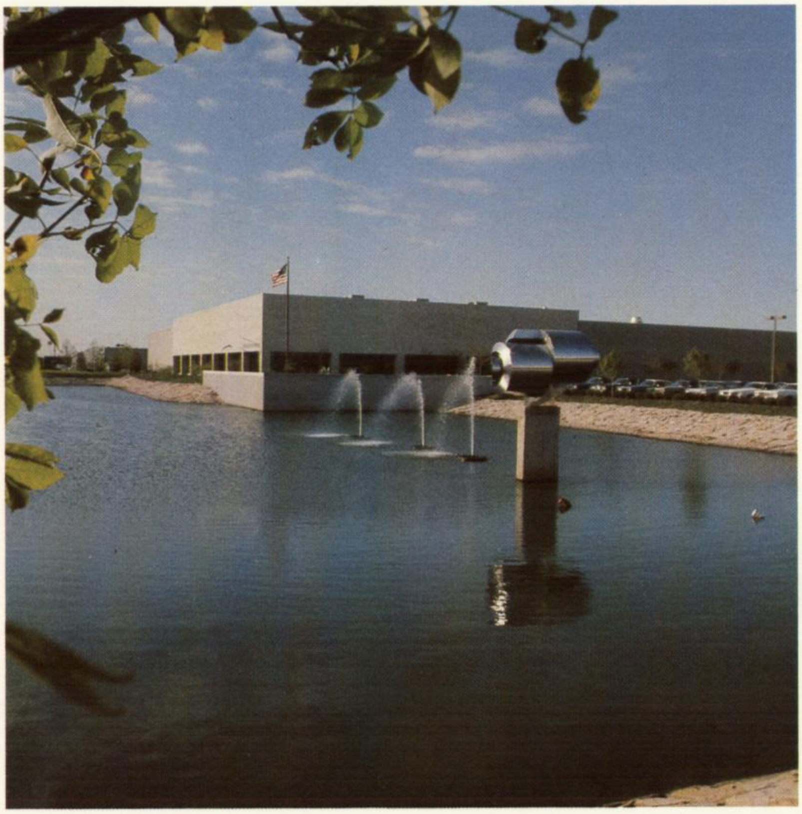
The Williamsburg expansion places this operation in a good posture to fully benefit from the expected increase in tourism in the Williamsburg area during the Bicentennial year.

Tampa will add two super thrill rides, plus new elephant and big cat exhibits and an expanded boat ride.

The additions at Williamsburg and Tampa will significantly strengthen the position of the Busch Gardens Division to enhance corporate growth in the future.

Throughout 1976, each Busch Gardens is showing "The Eagle Within," a stunning multi-media tribute to American excellence in many walks of life, in commemoration of the 200th anniversary of American independence. The production has received numerous awards, and has been cited by the American Revolutionary Bicentennial Administration as one of the nation's outstanding continuous Bicentennial observances.





Upper left: Sales of the Winster fax townhouses at "Kingsmill on the James" exceeded 1974 levels.

Upper right: Kingsmill championship golf course opened for play in 1975 and is ranked among the nation's top new courses.

Above: The Littletown Quarter cluster home community at "Kingsmill on the James" offers unique opportunities for good living.

Right: "Busch Corporate Center" in Columbus, Ohio continued to be profitable in 1975.

Busch Properties

Profitability of Busch Properties, Inc., the company's wholly owned real estate development subsidiary, was adversely affected by depressed economic conditions existing in the real estate industry during 1975.

Real estate development operations are conducted at two principal locations. "Kingsmill on the James" is the company's planned residential, commercial, and industrial development near Williamsburg, Virginia. "Busch Corporate Center" is the company's business park in Columbus, Ohio.

Sales of land for residential and commercial development purposes at both "Kingsmill" and "Busch Corporate Center" slowed during 1975 and were below 1974 levels.

"Kingsmill"

On the positive side, at "Kingsmill," sales of townhouses exceeded 1974 levels and recently sales of the unique Littletown Quarter cluster houses have shown improvement. Fifteen additional townhouses will soon be completed and sales expectations are good.

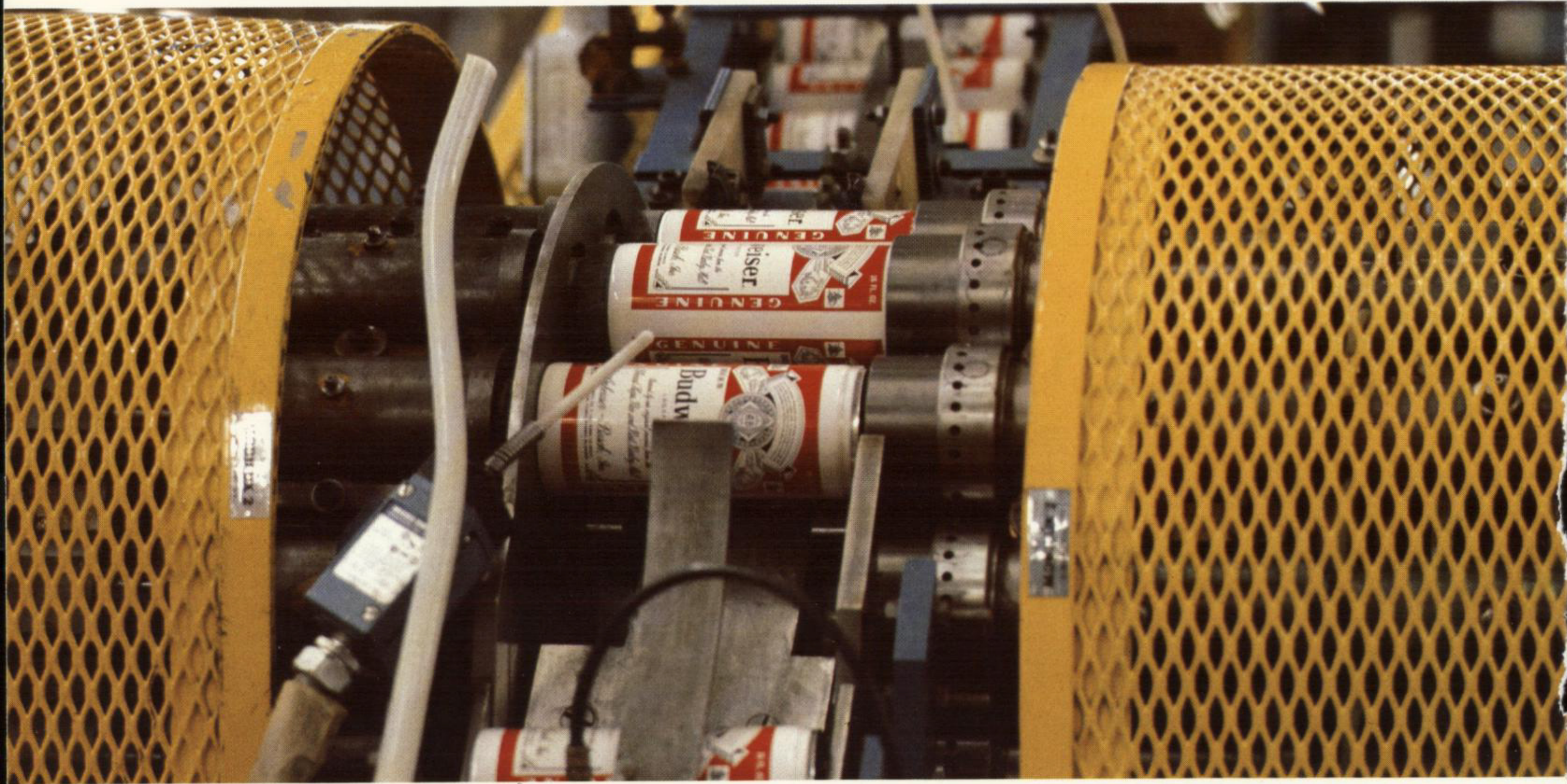
The golf clubhouse for the Kingsmill Championship 18-Hole Golf Course opened in July 1975, adding to the many amenities already completed.

Work will begin in 1976 on development of the first phase of a planned, commercial and light industrial development at "Kingsmill." Also, the community's fifth subdivision of lots for private residences will go on the market during 1976.

These developments, coupled with the quality and matchless beauty of the development and the proven viability of the Williamsburg area as a prime tourist attraction, all combine to create a favorable foundation for the future growth and profitability of "Kingsmill on the James."

"Busch Corporate Center"

"Busch Corporate Center" was again profitable in 1975. This 155-acre development includes five company-owned buildings which have high occupancy levels, plus sixteen privately owned structures. Three more privately owned buildings are now under construction.



Top and above: The company's highly successful can manufacturing plant at Jacksonville, Florida.
Right: Manufacturers Railway provides transportation services for the beer division and other companies.

Can Manufacturing

As part of a continuing program to reduce packaging costs, the company plans to increase its can self-manufacturing capacity. The company's beer can manufacturing operations include Metal Container Corporation, a wholly owned subsidiary, and Lianco Container Corporation, a joint venture with Libby, McNeill & Libby.

Metal Container

Metal Container Corporation's highly efficient can production plant in Jacksonville, Florida became fully operational in mid-1975 and was profitable for the year. This plant, which has an annual production capacity of approximately 850 million cans, provides more than 50% of the Jacksonville brewery's can requirements.

As a result of the Jacksonville can plant's high levels of efficiency and profitability, in late 1975 Metal Container Corporation took an option to purchase sixteen acres of land in Columbus, Ohio for the construction of a new can plant to produce approximately 50% of the Columbus brewery requirements. As in Jacksonville, the Columbus plant will manufacture two-piece cans by the drawn-and-ironed process.

Lianco

Lianco Container Corporation manufactures three-piece welded side-seam beer cans for the St. Louis brewery. This operation continues to be highly profitable and beneficial to the planned program for reducing container costs.

Apache

Apache Container Corporation, the company's wholly owned subsidiary located in St. Paul, Minnesota, manufactures seamless aerosol containers. The subsidiary was not profitable in 1975, due in part to depressed aerosol industry conditions. However, Apache's drawn-and-ironed can making technology was instrumental in the successful development of our Jacksonville beer can plant. Alternatives for dealing with Apache's continuing operating losses are being studied.

Manufacturers Railway St. Louis Refrigerator Car

Manufacturers Railway and St. Louis Refrigerator Car again achieved record sales and earnings in 1975.

Manufacturers Railway

Manufacturers Railway maintains terminal rail services in St. Louis for Anheuser-Busch and other companies and has connections with major independent trunk railways. The company also provides truck cartage and warehousing services at six Anheuser-Busch brewery locations. This service will be expanded to include Anheuser-Busch West Coast brewery operations during 1976.

St. Louis Refrigerator Car

St. Louis Refrigerator Car repairs railroad cars on a commercial basis and operates a fleet of special rail cars for use in transporting Anheuser-Busch beers under the most ideal conditions.

St. Louis Refrigerator Car's operations expanded significantly in 1975. To accommodate the increased level of operation, early in 1975 the company purchased a second car repair facility, a 114,000-square-foot geodesic dome in Wood River, Illinois, strategically located in the midst of the nation's second largest railroad trunkline center. This new facility, operated by Dome Railway Services, a division of Refrigerator Car, will be capable of full operation by mid-1976. Dome Railway Services has the capacity for a 250-man work force that can be implemented in stages as the amount of business increases, eventually doubling the company's car repair capability.

Above: Anheuser-Busch is a major supporter of NCRR, a nonprofit organization which develops systems to solve the nation's solid waste problems through the development of resource and energy recovery programs.

Right: Baseball Cardinals continue to provide fans with top flight baseball entertainment and added exposure for Anheuser-Busch products.

The Environment

The company continues to provide national leadership for responsible industry efforts to implement positive solutions to the nation's problems of litter and solid waste.

In response to Anheuser-Busch's challenge grant of $100,000 to the National Center for Resource Recovery Foundation during 1975, the company's wholesalers contributed $64,800. The company's suppliers contributed an additional $39,500, providing the NCRR with a total of $204,300. The National Center for Resource Recovery, Inc., is a nonprofit organization which provides research, development, demonstration and informational programs to solve the nation's solid waste problem through development of resource and energy recovery systems. NCRR was founded in 1970 by concerned industry and labor organizations including Anheuser-Busch.

A portion of the company's engineering and research effort is aimed at reducing discharge materials and recovering them as saleable by-products wherever possible. Revenues from such sales somewhat offset the costly pollution abatement projects that require capital investments.

New Nondetachable Tabs

During 1975, Anheuser-Busch introduced a consumer convenience package in the form of environmentally preferred, nondetachable, tab-top cans. The company continues to experiment with various types of nondetachable tabs in an effort to gain consumer acceptance for one to be ultimately selected for general use. Current designs minimize the metal content in each can and are therefore cost effective and environmentally progressive.

Antilitter Programs

The company actively supports the United States Brewers Association's "PITCH IN!" antilitter program and the Action Research Model (ARM) for litter control. ARM is a behavioral research and development program which has proved that a concerned community can reduce its litter to manageable proportions. Each of the test cities reduced litter more than 60%. Under the auspices of Keep America Beautiful, Inc., the systematic "Litter Solution" is presently being implemented in other U.S. cities.

The Cardinals

Cardinals' attendance in 1975 was 1.7 million, and the club realized an after-tax profit of $595,000 for the year. After an encouraging start in 1975, the baseball Cardinals finished the season tied for third place in the Eastern Division of the National League.

Last October, Anheuser-Busch announced that it would negotiate with August A. Busch, Jr. for the sale of the Cardinals. Mr. Busch, Jr. had expressed a desire to purchase the club for himself and other associates. At that time three appraisers were appointed to determine a fair and equitable price for the Cardinals in an arms-length negotiation.

In late January, Anheuser-Busch and Mr. Busch, Jr. announced that negotiations for the purchase of the club had been terminated. Anheuser-Busch announced it would not be interested in selling the club to anyone else.

Play-by-play broadcasting of the 1976 games will be handled by Bob Starr and former Cardinal star, Mike Shannon. Starr replaces Jack Buck who was unable to continue broadcasting the games because of new commitments with a national television network. The Cardinals' broadcast network, which includes 112 radio stations and 15 television stations throughout the Midwest, plays an important role in the Busch beer marketing program.

Management Changes

In December, management responsibilities were realigned to strengthen the management structure and to provide management continuity for the future.

Frank J. Sellinger was named Senior Vice President-Management and Industry Affairs. His previous responsibilities were Vice President and Group Executive-Engineering, Supplies Purchasing and Can Manufacturing.

Barry H. Beracha, formerly Vice President-Corporate Planning, was appointed Vice President and Group Executive in charge of Engineering and Can Manufacturing.

Patrick T. Stokes was named Vice President-Materials Acquisition after having been Vice President-Raw Materials and Transportation.

John H. Purnell, formerly Vice President-Beer Marketing Staff, was appointed Vice President-Corporate Planning.

Earlier in the year, John L. Hayward was elected Vice President and Secretary and Osmond Conrad was appointed Corporate Controller. In a related realignment, Jerry E. Ritter, Vice President-Finance, was appointed to the position of Vice President-Finance and Treasurer and Gerald C. Thayer was elected Assistant Treasurer.

Employee Relations

During 1975, a series of 79 separate meetings were held between senior management and over 9,000 employees. The purpose of these meetings, initiated in 1974, is two-way communications. The meetings give management the opportunity to inform the employees concerning the company's current operations and financial status, its competition and its plans for the future, and give the employees an opportunity to ask questions and make suggestions and comments during the extended question and answer period. The response to these meetings has been favorable and the company intends to continue them.

As part of an overall communications program, the company has also established an employee newspaper which will be delivered to the homes of all employees and will keep employees and their families informed about the company and its activities on a regular basis throughout the year.

The Board of Directors approved an employee stock purchase and savings plan which will become effective April 1, 1976. The plan is voluntary and an eligible employee who chooses to participate may invest up to 6% of his or her regular compensation. The company will contribute an amount not less than 33⅓% and not more than 75% of the employee's investment depending on the profits of the company. All the company's contribution and at least one-half of the employee's contribution will be invested in Anheuser-Busch stock. The employee has the option to direct that the other one-half of his or her contribution be invested in short-term fixed income securities.

The company continues to support and promote programs to provide equal employment opportunities for all persons regardless of race, color, sex, religion, national origin or age.

Financial Review

Financial Review

Sales and Earnings

Sales and earnings during 1975 were the highest in the company's history. For the first time, gross sales exceeded $2.0 billion.

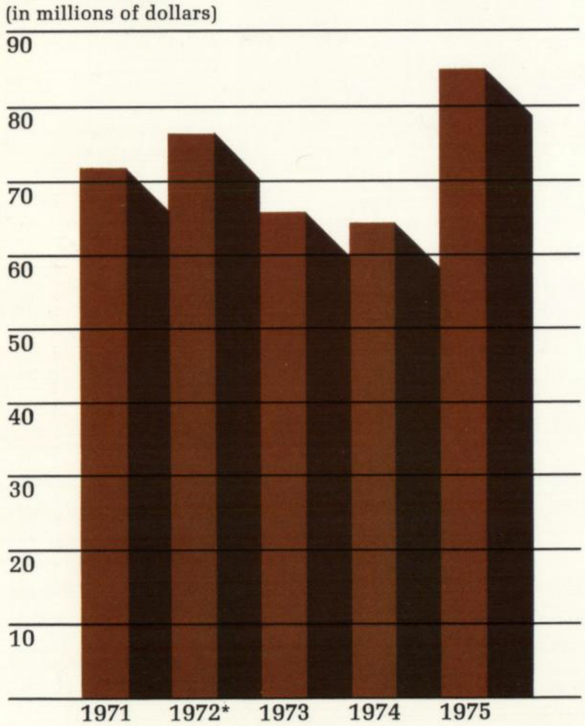
Net sales, determined after deducting $392 million in beer excise taxes, were $1.6 billion for 1975, an increase of 16.4% over 1974 net sales of $1.4 billion. Net sales of the Beer Division represented approximately 90% and 92% of consolidated net sales in 1975 and 1974 respectively.

Net income for 1975 of $84.7 million or $1.88 per share, increased 32.3% over 1974. The return to earnings growth, after the declines experienced in 1973 and 1974, is primarily due to increases in beer prices implemented in 1974 and early 1975, stabilization of brewing and packaging materials costs, and the growth experienced by our other divisions and subsidiaries. The return on average shareholder's equity of 15% in 1975 exceeded the return of 12% in 1974. The ratio of earnings to net sales was 5.2% in 1975, an improvement over the 4.5% in 1974.

Working Capital

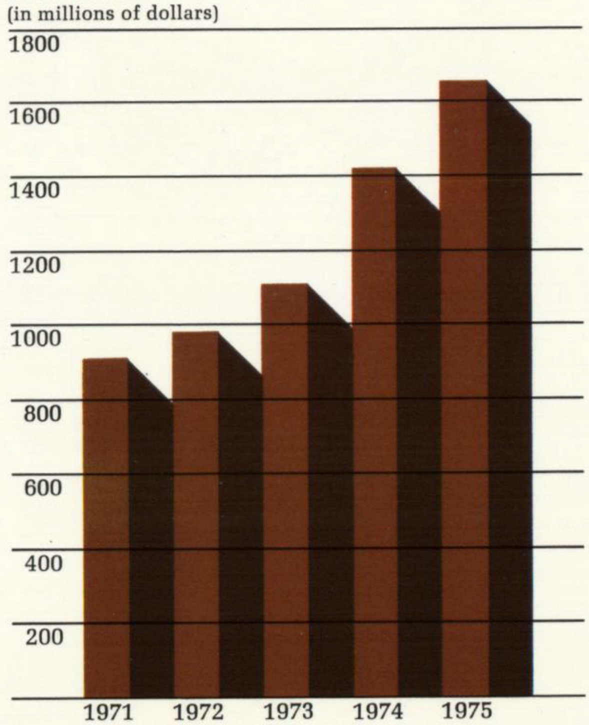
Working capital at December 31, 1975 amounted to $258.4 million, an increase of $119.1 million from 1974 working capital of $139.3 million. The working capital ratio at December 31, 1975 was 2.6 to 1 as compared to 2.2 to 1 at December 31, 1974. Cash and marketable securities were $224.1 million at December 31, 1975, an increase of $135.5 million over the $88.6 million at December 31, 1974. Inventories at December 31, 1975 increased $24.8 million from December 31, 1974 levels. The increase in inventories is principally attributable to the greater quantity of materials on hand and higher cost of inventory in process. A comparative statement of changes in financial position appears on page 27 of this report.

Net Income
(in millions of dollars)



*Before extraordinary item

Net Sales
(in millions of dollars)



Price Range of Common Stock

The common stock of Anheuser-Busch, Inc., is traded over-the-counter and fluctuations in the high and low bid prices during each quarter of 1975 and 1974 are shown in the following table as compiled from published sources. These quotations represent prices between dealers and do not include retail mark-up, mark-down or commissions and do not necessarily represent actual transactions.

Bid Price

	1975		1974	
Quarter	**High**	**Low**	High	Low
First	**38¾**	**24½**	36⅛	27½
Second	**39⅝**	**34½**	37⅜	29⅜
Third	**39⅛**	**29⅜**	38	21
Fourth	**36½**	**29¾**	32½	21½

Dividends

Cash dividends paid were $29 million in 1975 and $27 million in 1974. Dividends were paid in the months of March, June, September and December of each year. Effective in the third quarter of 1975, the Board of Directors increased the quarterly dividend from $.15 to $.17 per share. Annual dividends paid per common share were $.64 in 1975 and $.60 in 1974.

The company has paid cash dividends in each of the past 43 years. During that time, the company's stock split five times and stock dividends were paid in 1953, 1954, and 1966.

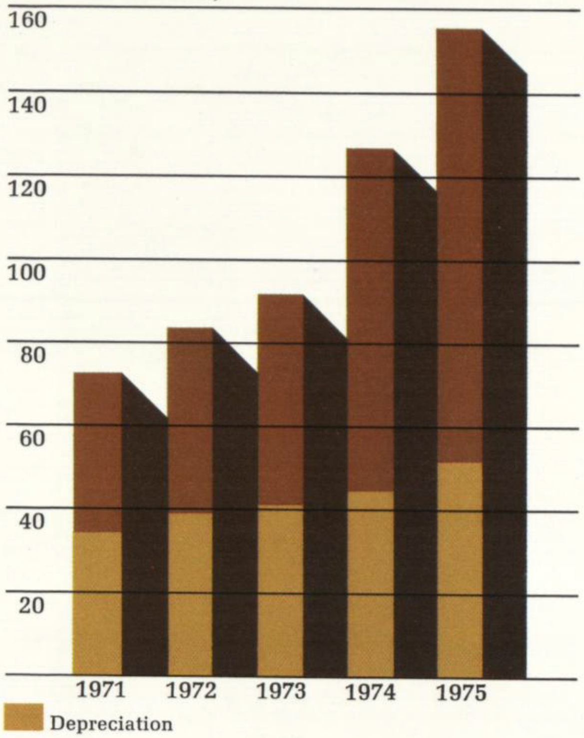
At the close of the year, shareholders numbered 29,766 compared with 30,193 at the end of 1974.

Capital Expenditures

Capital expenditures for the major expansion program begun in 1974 continued during 1975. Additional financing for this program was provided by the sale in April of $150 million of 9.20% sinking fund debentures due 2005.

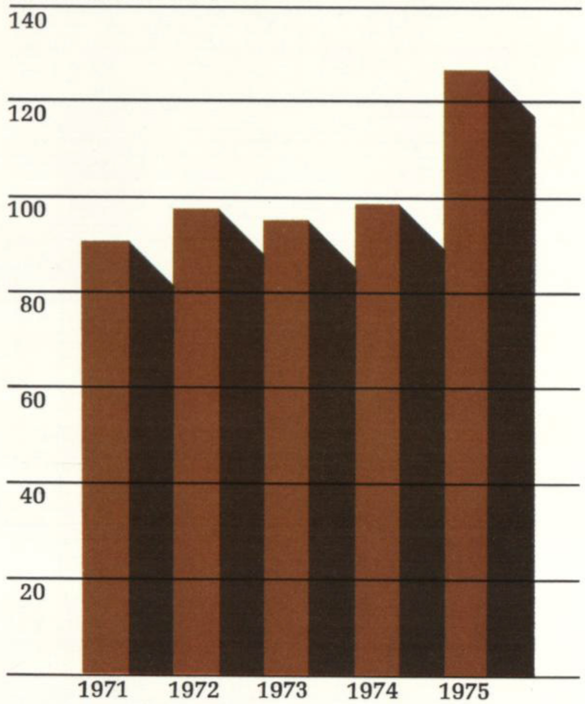
Capital Expenditures

(in millions of dollars)



Amount Provided For Expansion*

(in millions of dollars)



*Increase in retained earnings plus non-cash charges against income

Capital expenditures in 1975 amounted to $155.4 million as compared with $126.5 million in 1974. During the past five years, capital expenditures totaled $531.1 million.

Approximately $129.3 million of our 1975 capital expenditures applied to the Beer Division. Major Beer Division expenditures were for the construction of our new brewery in Fairfield, California, for expansion of beechwood chip aging capacity, and for mini-expansions at certain breweries. Also included are various modernization projects to increase and promote operating efficiency at existing breweries.

The remainder of 1975 capital expenditures of $26.1 million were for construction of new facilities or modernization of existing facilities by our other divisions and subsidiaries, principally the Busch Gardens Division and Metal Container Corporation.

Effective January 1, 1975, the company adopted the straight line method of computing depreciation, for financial statement purposes, on all assets placed in service on or after that date. The reason for this change in policy is the desire to conform to prevailing industry practice. The effect of such change on net income in 1975 is not material.

The graph on page 21 shows capital expenditures and depreciation expense for the past five years.

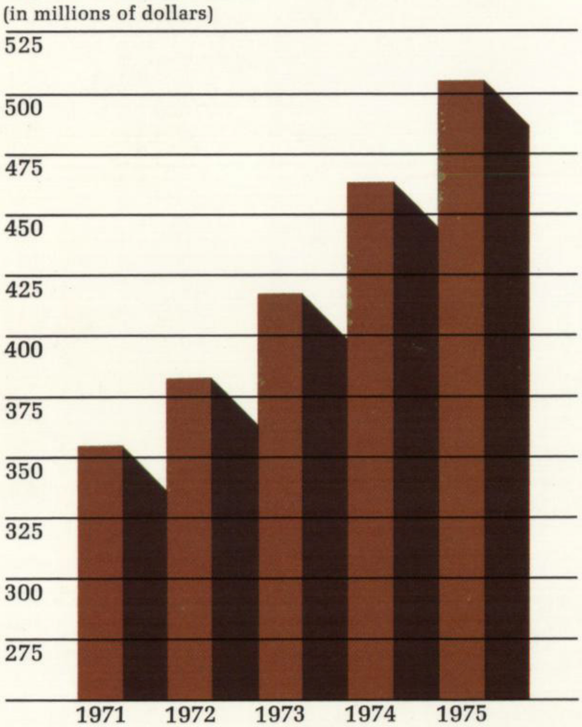
Taxes

Total taxes applicable to 1975 operations (not including the many hidden taxes included in materials and services purchased) amounted to $505.1 million. Total taxes for the last five years are shown in the graph on this page.

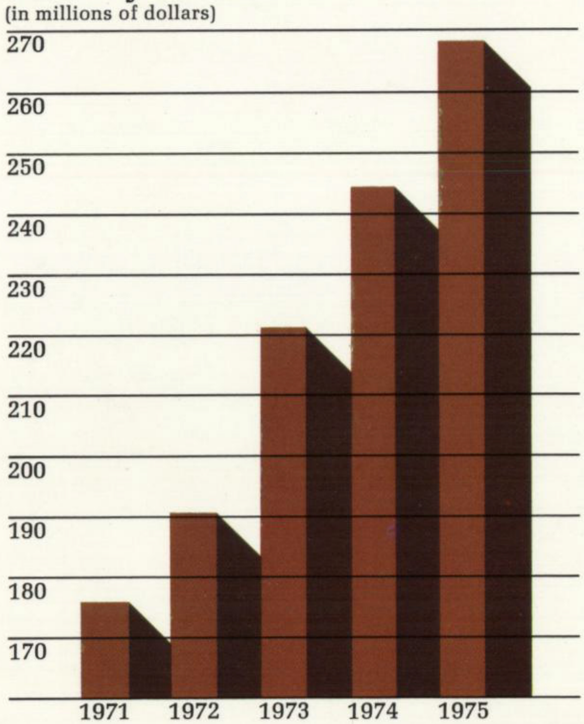
Payroll Costs

Salaries and wages paid during 1975 amounted to $225.5 million. Pension, life insurance and welfare benefits aggregated $31.3 million; payroll taxes totaled $11.5 million. At December 31, 1975, employment was 13,301.

Total Taxes Paid
(in millions of dollars)



Total Payroll Cost
(in millions of dollars)



Independent Accountants Report

Price Waterhouse & Co.

ONE MEMORIAL DRIVE, ST. LOUIS, MISSOURI 63102·314·436·7800

February 9, 1976

To the Shareholders
and Board of Directors of
Anheuser-Busch, Incorporated:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of Anheuser-Busch, Incorporated and its subsidiaries at December 31, 1975 and 1974, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Consolidated Balance Sheet

Anheuser-Busch, Incorporated, and Subsidiaries

	December 31, 1975	December 31, 1974
	(In Thousands)	
Assets		
Current Assets:		
Cash (including certificates of deposit of $16,810,000 in 1975 and $48,460,000 in 1974)	**$ 23,159**	$ 48,984
Marketable securities, at cost which approximates market	**200,916**	39,619
Accounts and notes receivable, less allowance for doubtful accounts of $1,034,000 in 1975 and $979,000 in 1974	**58,193**	50,955
Inventories—		
Finished goods	**7,470**	8,364
Work in process	**28,172**	24,176
Raw materials and supplies	**101,759**	80,109
Total current assets	**419,669**	252,207
Investments and Other Assets:		
Investments in and advances to unconsolidated subsidiaries	**32,634**	34,510
Investment properties	**8,458**	8,715
Deferred charges and other non-current assets	**16,441**	13,066
	57,533	56,291
Plant and Equipment:		
Land	**23,001**	21,574
Buildings	**380,512**	351,598
Machinery and equipment	**621,492**	555,552
Construction in progress	**131,533**	80,456
Other real estate	**1,836**	2,283
	1,158,374	1,011,463
Less accumulated depreciation	**433,460**	388,587
	724,914	622,876
	$1,202,116	$ 931,374

The accompanying statement should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 28 through 31 of this report.

	December 31, 1975	December 31, 1974
Liabilities and Shareholders Equity	(In Thousands)	
Current Liabilities:		
Accounts payable	**$ 79,577**	$ 63,549
Accrued salaries and wages	**13,611**	12,863
Accrued taxes, other than income taxes	**23,473**	18,701
Estimated federal and state income taxes	**29,676**	8,614
Other current liabilities	**14,929**	9,224
Total current liabilities	**161,266**	112,951
Long-Term Debt:		
3⅜% debentures maturing 1977, less \$145,000 in treasury in 1975 and \$1,512,000 in 1974	**1,330**	1,453
4½% debentures maturing 1977 to 1989, less \$3,792,000 in treasury in 1975 and \$5,692,000 in 1974	**21,008**	21,008
5.45% debentures maturing 1977 to 1991, less \$3,370,000 in treasury in 1975 and \$5,570,000 in 1974	**28,430**	28,430
6% debentures maturing 1978 to 1992, less \$501,000 in treasury in 1975 and \$2,251,000 in 1974	**41,399**	42,349
7.95% debentures maturing 1985 to 1999	**100,000**	100,000
9.20% debentures maturing 1986 to 2005	**150,000**	—
	342,167	193,240
Accumulated Deferred Income Taxes	**80,748**	66,264
Accumulated Deferred Investment Tax Credit	**24,293**	21,157
Shareholders Equity:		
Common stock, \$1 par value, authorized 60,000,000 shares: issued 45,608,283 shares	**45,608**	45,608
Capital in excess of par value (principally arising from stock dividends)	**57,957**	57,957
Retained earnings	**493,289**	437,409
	596,854	540,974
Less cost of 540,388 shares of treasury stock	**3,212**	3,212
	593,642	537,762
	$1,202,116	$931,374

Consolidated Statement of Income and Retained Earnings

Anheuser-Busch, Incorporated, and Subsidiaries

	1975	1974
	(In Thousands)	
Sales	**$2,036,687**	$1,791,863
Less federal and state beer taxes	**391,708**	378,772
Net Sales	**1,644,979**	1,413,091
Cost of products sold	**1,343,784**	1,187,816
Gross Profit	**301,195**	225,275
Marketing, administrative and general expenses	**126,053**	106,653
Operating Income	**175,142**	118,622
Other Income and Expenses:		
Interest income	**10,944**	9,925
Interest expense	**(22,602)**	(11,851)
Purchase discounts, other income and expenses, net	**1,816**	4,840
Income before Income Taxes	**165,300**	121,536
Provision for Income Taxes:		
Current	**62,957**	41,602
Deferred	**17,620**	15,915
	80,577	57,517
Net Income (per share: 1975-$1.88; 1974-$1.42)	**84,723**	64,019
Retained Earnings at Beginning of Year	**437,409**	400,431
	522,132	464,450
Cash Dividends, $.64 per share in 1975 and $.60 per share in 1974	**28,843**	27,041
Retained Earnings at End of Year	**$ 493,289**	$ 437,409

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 28 through 31 of this report.

Consolidated Statement of Changes in Financial Position

Anheuser-Busch, Incorporated, and Subsidiaries

	1975	1974
	(In Thousands)	
Financial resources were provided by:		
Operations —		
Net income for the year	**$ 84,723**	$ 64,019
Charges to income not involving working capital —		
Depreciation	**51,089**	45,042
Deferred income taxes	**14,484**	11,983
Deferred investment tax credit	**3,136**	3,932
Other, net	**1,847**	158
Working capital provided by operations	**155,279**	125,134
Proceeds from sale of 7.95% debentures	—	100,000
Proceeds from sale of 9.20% debentures	**150,000**	—
Decreased investment in unconsolidated subsidiaries	**1,876**	—
	307,155	225,134
Financial resources were used for:		
Capital expenditures	**155,436**	126,463
Cash dividends paid	**28,843**	27,041
Reduction in long-term debt	**1,073**	174
Increased investment in unconsolidated subsidiaries	—	7,616
Other, net	**2,656**	845
	188,008	162,139
Increase in working capital	**$119,147**	$ 62,995

Analysis of Changes in Working Capital

Increase (decrease) in current assets:		
Cash	**$ (25,825)**	$ 10,757
Marketable securities	**161,297**	17,768
Accounts and notes receivable	**7,238**	2,951
Inventories	**24,752**	44,944
	167,462	76,420
Decrease (increase) in current liabilities:		
Accounts payable	**(16,028)**	(3,842)
Accrued salaries and wages	**(748)**	169
Accrued taxes, other than income taxes	**(4,772)**	166
Estimated federal and state income taxes	**(21,062)**	(5,576)
Other current liabilities	**(5,705)**	(4,342)
	(48,315)	(13,425)
Increase in working capital	**$119,147**	$ 62,995

Notes to Consolidated Financial Statements

Summary of Significant Accounting Principles and Policies

This summary of significant accounting principles and policies of Anheuser-Busch, Inc., and its consolidated subsidiaries is presented to assist in evaluating the company's financial statements included in this report. These principles and policies conform to generally accepted accounting principles and have been consistently followed by the company in all material respects.

Principles of Consolidation

The consolidated financial statements include the company and all its subsidiaries. Certain subsidiaries which are not an integral part of the company's primary operations are included on an equity basis.

Inventories and Production Costs

Inventories are valued at the lower of cost or market. Cost of raw materials and supplies is determined under the last-in, first-out and average cost methods. Cost of work in process and finished goods is based principally on standard costs, which approximate actual manufacturing and raw material costs, adjusted for last-in, first-out valuation of certain raw materials.

Plant and Equipment

Plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of existing plants and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

The company provides for depreciation of plant and equipment on methods and at rates designed to amortize the cost of such equipment over its useful life. Depreciation is computed principally on the sum-of-the-years-digits method for property acquired between January 1, 1954 and December 31, 1974, and the straight line method is used for property acquired prior to and after this period.

A portion of the land held by the company is for investment purposes and is not an integral part of the company's primary operations. This land has been classified in the balance sheet as investment properties.

Income Taxes

The provision for income taxes is based on elements of income and expense as reported in the Statement of Income. The company has elected to utilize certain provisions of federal income tax laws and regulations to reduce current taxes payable, the primary item being the calculation of depreciation for tax purposes on the basis of shorter lives permitted by the Treasury Department. The resulting tax benefit has been deferred until such time as depreciation reported in the Statement of Income exceeds that taken for income tax purposes.

The company follows the practice of adding the investment tax credit to income over the productive lives of the assets generating such credit, rather than in the year in which the assets are placed in service. Accordingly, benefits realized from the investment tax credit have been deferred and will be recognized as reductions in the provisions for income taxes in the appropriate years.

Expenditures Which Provide Possible Future Benefits

Plant start-up, research and development, advertising and promotional costs are charged against earnings in the year in which such costs are incurred.

Net Income Per Share of Common Stock

Net income per share of common stock is based on the average number of shares of common stock outstanding during the respective years, adjusted for stock splits and stock dividends.

Credit Agreement

In June 1974, the company entered into a $125,000,000 revolving credit agreement with sixteen banks for the period June 28, 1974, to December 31, 1976. Interest on any borrowings the company might choose to make would be at the prime rate during that period. The company has agreed to pay a fee of ½ of 1% per annum on the unused portion of the commitment. Total commitment fees paid on the unused line of credit amounted to $625,000 in 1975 and $320,000 in 1974.

Any outstanding borrowings under the agreement at December 31, 1976 would be repaid over the six-year period commencing August 31, 1978, with the final payment on May 31, 1984. Outstanding borrowings during that period would bear interest at rates varying from ¼% to ¾% above the prime rate.

Since the effective date of the agreement, the company has maintained compensating balances with the banks in the aggregate amount of $12,500,000. Such balances, maintained pursuant to an informal understanding with the banks, are not otherwise restricted as to withdrawal. No funds were borrowed from the banks during 1975 or 1974.

Inventory Valuation

Approximately 64% and 60% of total inventories (principally brewing raw materials) at December 31, 1975 and December 31, 1974, respectively are stated on the last-in, first-out inventory valuation method. Had the average cost method been used with respect to such items at December 31, 1975 and December 31, 1974, total inventories would have been $33,111,000 and $34,853,000 higher, respectively.

Debenture Financing

In April 1975, the company sold $150,000,000 of 9.20% sinking fund debentures, due April 1, 2005. The debentures mature annually from 1986 through 2005.

In February 1974, the company sold $100,000,000 of 7.95% sinking fund debentures, due February 1, 1999. These debentures mature annually from 1985 through 1999.

Stock Options

Under a stock option plan adopted by the shareholders in 1967, 1,810,177 shares of common stock were reserved at December 31, 1975, for issuance to officers and key employees. No options were outstanding at December 31, 1975.

Retained Earnings Restriction

The indentures under which the company's long-term debt is issued contain provisions which limit the amount of retained earnings available for cash dividends. Under the most restrictive of these provisions, retained earnings at December 31, 1975 were restricted to the extent of $54,559,000 against the payment of cash dividends.

Pension Plans

The company has pension plans covering substantially all of its employees and follows the policy of funding all pension costs accrued. The total pension expense was $18,554,000 in 1975 and $16,999,000 in 1974.

Salaried employees are covered under a trusteed pension plan with unfunded prior service cost amounting to $5,956,000 at December 31, 1975. The market value of the net assets of the pension fund exceeds the actuarially computed value of vested benefits as of December 31, 1975.

As a result of the Employee Retirement Income Security Act of 1974, it will be necessary for the company to amend the salaried employees' plan. It is estimated that such amendment will result in an increase in pension expense of approximately $700,000 beginning in 1976.

Pension plans have been adopted for hourly paid employees under agreements with unions representing such employees. Obligations for contributions under these plans are based on a defined contribution per employee in accordance with the various labor agreements. The effect in 1976 of the Employee Retirement Income Security Act on pension plans for hourly paid employees will be dependent upon completion of negotiations of new agreements covering all of these employees.

Depreciation and Rent Expense

Effective January 1, 1975, the company adopted the straight line method of computing depreciation, for financial statement purposes, on all assets placed in service on or after that date. The reason for this change in policy is the desire to conform to prevailing industry practice. The effect of such change on net income in 1975 is not material. The provision for depreciation amounted to $51,089,000 in 1975 and $45,042,000 in 1974. Rent expense amounted to $10,200,000 in 1975 and $9,447,000 in 1974.

Income Taxes

The provision for income taxes for the years ended December 31, 1975 and 1974, includes the following:

	1975	1974
	(In Thousands)	
Current tax provision:		
Federal	**$56,775**	$37,901
Other	**6,182**	3,701
	62,957	41,602
Deferred tax provision:		
Federal	**13,463**	11,140
Other	**1,021**	843
	14,484	11,983
Deferred investment tax credit:		
Reduction in current taxes payable	**5,875**	5,961
Less amortization of deferred investment tax credit	**2,739**	2,029
	3,136	3,932
Total	**$80,577**	$57,517

The deferred tax provision results from timing differences in the recognition of revenue and expense for tax and financial purposes. The primary timing difference is the use of accelerated depreciation for tax purposes which had a tax effect of $13,623,000 in 1975 and $12,354,000 in 1974.

The Internal Revenue Service has examined and cleared federal income tax returns of the company for years through 1971.

Commitments and Contingencies

In connection with the plant expansion and improvement program, the company has commitments for capital expenditures totaling about $122,036,000 at December 31, 1975.

Obligations under long-term leases are not material.

In July 1971, Pearl Brewing Company and seven of its distributors filed suit against the company and Jos. Schlitz Brewing Company alleging violations by the defendants of the federal antitrust laws and seeking temporary and permanent injunctive relief, treble dam-

ages (which at this time are unspecified as to amount), costs, and reasonable attorneys' fees. On February 9, 1972, the U. S. District Court denied the plaintiffs' requests for a preliminary injunction and for a summary judgment. The case is still to be tried on the merits.

In June 1972, Southtown Liquor, Inc., and Country Village Liquor, Inc., filed a civil class action suit against the company alleging violations by the company of the federal antitrust laws and certain Minnesota laws, and seeking permanent injunctive relief, treble damages (which at this time are unspecified as to amount), costs, reasonable attorneys' fees, and the denial of the company's right to continue to do business in the State of Minnesota. The question of whether the suit is a proper class action is yet to be decided and the case is still to be tried on the merits.

In July 1972, the Village of Eden Valley, Minnesota, filed a civil class action suit against the company alleging violations by the company of the federal antitrust laws and certain Minnesota laws, and seeking permanent injunctive relief, treble damages (which at this time are unspecified as to amount), costs, reasonable attorneys' fees, and the denial of the company's right to do business in the State of Minnesota. The question of whether the suit is a proper class action is yet to be decided and the case is still to be tried on the merits.

In July 1974, Duke & Company, Inc., filed suit against the company and one of its distributors alleging violations of the federal antitrust laws and seeking treble damages (which at this time are unspecified as to amount), costs, and reasonable attorneys' fees. The case is still to be tried on the merits.

In April 1975, William J. Whybrew, d/b/a Whybrew Enterprises, Inc., seven other Indiana tavern owners, and three individuals as "consumers of beer" filed suit against the company, Pabst Brewing Company, The Stroh Brewing Company, and nine wholesale beer distributors alleging violations by the defendants of federal antitrust laws and Indiana antitrust laws and seeking permanent injunctive relief, damages in the amount of $70 million to be trebled, costs, and reasonable attorneys' fees. The case is still to be tried on the merits.

The company denies the charges in all of the foregoing cases and is engaged in defending against them. The company was defendant in certain other lawsuits on December 31, 1975, the ultimate outcome of which cannot be determined at this time. In the opinion of management, the company's liability, if any, under any pending litigation would not materially affect its financial condition.

In April 1972, the Federal Trade Commission authorized by resolution an investigation of the brewing industry, including the company, to determine whether certain antitrust laws have been violated. The investigation has not been concluded; and the company has no indication as to what action, if any, the Commission may take at the conclusion of the investigation.

In January 1976, the Federal Trade Commission authorized by resolution an investigation to determine the manner and extent of compliance with an order issued in 1950 prohibiting acts in violation of certain antitrust laws and to determine whether parties subject to that order, including the company and 15 other manufacturers and sellers of corn derivatives, or others, have engaged in practices violative of the Federal Trade Commission Act in connection with the offering for sale, sale and distribution of corn derivatives. The investigation has not been concluded and the company has no indication as to what action, if any, the Commission may take at the conclusion of the investigation.

Ten-Year Financial Summary

Anheuser-Busch, Incorporated, and Subsidiaries

(In Thousands, except per share data)

Consolidated Summary of Operations	1975	1974	1973
Barrels sold	**35,196**	34,097	29,887
Sales	**$2,036,687**	$1,791,863	$1,442,720
Beer excise taxes	**391,708**	378,772	333,013
Net sales	**1,644,979**	1,413,091	1,109,707
Cost of products sold	**1,343,784**	1,187,816	875,361
Gross profit	**301,195**	225,275	234,346
Marketing, administrative and general expenses	**126,053**	106,653	112,928
Operating income	**175,142**	118,622	121,418
Interest income	**10,944**	9,925	4,818
Interest expense	**(22,602)**	(11,851)	(5,288)
Other income, net	**1,816**	4,840	5,287
Income before income taxes	**165,300**	121,536	126,235
Income taxes	**80,577**	57,517	60,658
Income before extraordinary item	**84,723**	64,019	65,577
Extraordinary item (1)			
Net income	**84,723**	64,019	65,577
Per share (2)			
Income before extraordinary item	**1.88**	1.42	1.46
Net Income	**1.88**	1.42	1.46
Cash dividends paid	**28,843**	27,041	27,037
Per share (2)	**.64**	.60	.60
Average number of shares outstanding (2)	**45,068**	45,068	45,063
Balance Sheet Information			
Working capital	**258,403**	139,256	76,261
Plant and equipment, net	**724,914**	622,876	541,236
Long-term debt	**342,167**	193,240	93,414
Deferred income taxes	**80,748**	66,264	54,281
Deferred investment tax credit	**24,293**	21,157	17,225
Shareholders equity	**593,642**	537,762	500,784
Other Information			
Capital expenditures	**155,436**	126,463	91,801
Depreciation	**51,089**	45,042	41,059
Total payroll cost	**268,306**	244,437	221,049

Notes To Ten-Year Financial Summary

(1) In December 1972, the company decided to close a portion of the Houston Gardens and convert the remainder to a sales promotion facility. Closing of a portion of the Gardens resulted in an extraordinary after-tax charge against 1972 earnings of $4,093,000, or $.09 per share, net of applicable income tax benefits of $4,006,000.

1972	1971	1970	1969	1968	1967	1966
26,522	24,309	22,202	18,712	18,393	15,535	13,575
$1,273,093	$1,173,476	$1,036,272	$871,904	$852,605	$730,487	$637,367
295,593	271,023	243,495	205,295	199,898	175,607	152,304
977,500	902,453	792,777	666,609	652,707	554,880	485,063
724,718	658,886	579,372	490,932	477,184	408,059	351,598
252,782	243,567	213,405	175,677	175,523	146,821	133,465
108,008	108,087	92,660	84,113	82,472	78,766	70,581
144,774	135,480	120,745	91,564	93,051	68,055	62,884
3,299	3,102	3,715	3,604	3,760	2,315	3,615
(6,041)	(6,597)	(7,104)	(7,401)	(7,664)	(5,985)	(4,285)
4,855	4,065	3,420	5,171	3,515	2,765	1,273
146,887	136,050	120,776	92,938	92,662	67,150	63,487
70,487	64,412	58,227	47,627	48,028	30,955	29,860
76,400	71,638	62,549	45,311	44,634	36,195	33,627
4,093						
72,307	71,638	62,549	45,311	44,634	36,195	33,627
1.70	1.60	1.40	1.02	1.00	.82	.76
1.61	1.60	1.40	1.02	1.00	.82	.76
26,109	23,784	18,991	17,843	16,117	13,146	10,806
.58	.53	.425	.40	.363	.30	.25
45,020	44,887	44,686	44,616	44,457	44,237	44,057
84,730	87,662	80,430	76,950	89,829	104,252	85,989
491,671	453,647	416,660	387,422	351,537	306,476	244,883
99,107	116,571	128,080	134,925	142,720	147,898	99,293
41,456	34,103	27,274	23,212	18,149	14,191	9,149
14,370	14,276	13,563	12,577	10,790	8,823	4,356
461,980	413,974	358,476	314,121	285,318	255,359	231,438
84,217	73,214	65,069	66,396	76,457	85,415	89,671
38,970	34,948	33,795	30,063	27,578	23,524	18,955
190,517	176,196	156,576	133,872	132,653	119,331	101,512

(2) Per share statistics have been adjusted to give effect to the two-for-one stock splits in 1968 and 1971.

Management's Discussion and Analysis of Operations

The following explanatory comments should be read in conjunction with the consolidated summary of operations appearing in the Ten-Year Financial Summary on Pages 32 and 33 of this report.

Net Sales

Anheuser-Busch, Inc., has experienced continued growth in both dollar and beer volume sales during the ten year period 1966 - 1975. The growth in sales dollars was related principally to growth in Beer Division sales volume. The compounded annual beer sales volume growth for the past ten years was 12%.

In 1975, net sales dollars of the Beer Division were approximately 90% of consolidated net sales. The portion of consolidated net sales represented by the Beer Division in 1974 and prior years approximated the 1975 level.

During the years 1966-1970, price increases for beer averaged approximately 2% per year. From 1971 through 1973, increases in beer selling prices were constrained by competitive pressures and price control regulations under the Economic Stabilization Program. During 1974 and early 1975, higher than normal price increases were implemented to recover a portion of the significantly higher material costs which the company incurred in the 1973 - 1975 period. As a result of these price increases, average revenue per barrel increased 11% for 1974 and 1975. Despite these price increases, profit margins in 1975 and 1974 were substantially below the levels achieved in the 1966 - 1972 period.

Cost of Products Sold and Other Operating Expenses

The year-to-year dollar increase in cost of products sold during the period 1966 - 1972 was principally related to beer sales volume increases. While unit production costs increased during this period, such increases were tempered by improvement in productivity. As a result, during this period production cost as a percent of net sales remained relatively constant.

The increases in cost of products sold for the years 1973 - 1975 were attributed to two principal factors — beer sales volume increases and significantly higher cost levels for agricultural products and packaging materials. These higher cost levels were not totally offset by price increases and the cost of goods sold as a percentage of net sales rose from 74% in 1972 to 79% in 1973, 84% in 1974 and was 82% in 1975.

Summarized on the following page are certain items of expense included in cost of products sold and marketing, administrative

and general expense, the changes in which affected earnings for the years 1974 - 1975:

	1975	1974	1973
	(In Thousands)		
Maintenance & Repairs	**$71,863**	$62,880	$53,715
Depreciation	**51,089**	45,042	41,059
Taxes (other than income and beer excise taxes)	**32,769**	27,229	24,136
Advertising Costs	**41,958**	31,807	36,520

The increases in maintenance and repairs were related principally to the addition and/or expansion of production facilities, increased utilization of facilities associated with higher sales volume, higher labor costs, and significantly higher costs of material caused by inflation.

The year-to-year increases in depreciation expense were related to the company's capital investments for new and expanded production facilities and for modernization programs to improve operating efficiency.

The increases in taxes were principally associated with the expanded operating level of the company's Beer Division, as well as other major divisions and subsidiaries. More specifically, contributions for social security taxes increased as a result of higher employment levels and an increase in the taxable base for 1974 and 1975. Plant and equipment additions under the company's capital expenditure programs were responsible for increases in certain real estate, property and other taxes in both 1974 and 1975.

Unusually high demand for the company's beer products during the last half of 1973, and through much of 1974, enabled the company to curtail its advertising concentration during 1974. The increase in advertising costs for 1975 was principally related to a higher level of advertising concentration and to significant inflationary pressures on media costs and point-of-sale material. In addition, 1975 included advertising costs associated with the opening in that year of "The Old Country," the company's new family entertainment center near Williamsburg, Virginia.

Interest Expense and Interest Income

In both 1974 and 1975, the company sold debentures to finance a portion of its capital expenditure programs. In February 1974, $100 million of 7.95% debentures were sold and in April 1975, the company sold $150 million of 9.20% debentures. The increase in interest expense for 1974 and 1975 was totally related to interest on these debentures.

A large part of the proceeds from the sales of these debentures were available for temporary investment in short-term securities during most of 1974 and 1975.

Directors

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Chairman of the Board
Anheuser-Busch, Incorporated

August A. Busch III
President and Chief Executive Officer, Anheuser-Busch, Incorporated

M. R. Chambers
Chairman of the Board and Chief Executive Officer, INTERCO Incorporated, a shoe and apparel manufacturer and retailer and general retail merchandiser

Edwin S. Jones
Chairman of the Board and Chief Executive Officer, First Union, Incorporated, a multi-bank holding company

John F. Krey II
Chairman Finance Committee
Krey Packing Company, production and sale of meat products

Fred L. Kuhlmann
Senior Vice President - Administration and Services, Anheuser-Busch, Incorporated

J. W. McAfee
Adviser to the Board of Directors, Union Electric Company, a public utility

James B. Orthwein
President and Co-Chief Executive Officer, D'Arcy-MacManus & Masius, Inc., a general advertising agency

W. R. Persons
Chairman Executive and Finance Committees, Emerson Electric Company, manufacture and sale of electrical and electronic equipment

Walter C. Reisinger
Special Representative – Customer Relations
Anheuser-Busch, Incorporated

Frank H. Schwaiger
Consultant to Anheuser-Busch, Incorporated

Margaret M. Snyder
Vice President - Corporate Promotions, Anheuser-Busch, Incorporated

A. vonGontard
Vice Chairman of the Board, and consultant to the Company

Fred W. Wenzel
Chairman of the Board and Chief Executive Officer, Kellwood Company, manufacture of recreation equipment, home fashions and apparel

John L. Wilson
Chairman of Finance Committee, Anheuser-Busch, Incorporated

Officers

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Senior Vice President - Management and Industry Affairs

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Vice President - Corporate Promotions

Osmond Conrad
Controller

R. A. Rawizza
Tax Controller

Gerald C. Thayer
Assistant Treasurer

H. F. Suellentrop
Assistant Treasurer

Knut C. Heise
Assistant Secretary

Richard A. Schwartz
Assistant Secretary

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510 Locust Street
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30 West Broadway
New York, New York 10015

Breweries:
St. Louis, Newark, Los Angeles, Tampa, Houston, Columbus, Jacksonville, Merrimack and Williamsburg

Corn Refining Plant:
Lafayette, Indiana

Yeast Plants:
St. Louis, Old Bridge, New Jersey and Bakersfield, California

The 100th Anniversary of Budweiser

1876-1976

Anheuser-Busch, Incorporated

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